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August 8, 2005

Judy L. Cornman
Arizona Public Service
P.O. Box 53933
Mail Stop 3108
Phoenix, AZ 85072-3933

Docket No. W-03510A-05-0146

Re: **Circle City Water Co., L.L.C. at 478 Weinberg Rd., Morristown, AZ; APS
Service No. 0046S00284; APS Meter C46543; "Peretz Circle Pump"**

Dear Ms. Cornman,

As you are aware representatives of Circle City Water Co., L.L.C. ("CCWCoLLC") and First National Management Co. ("FNM"), our operations contractors at the water system, have been in regular contact with you and other representatives of APS for several weeks regarding the inconsistent 3-phase power supply at the above referenced site.

This matter has elevated itself to a matter of great concern not only for us, but for our customers, FNM, and the Arizona Corporation Commission as well. Since May 23, 2005, CCWCoLLC has spent several thousand dollars managing the problem. According to our records we have experienced at least seven system-wide outages since that date which has resulted in low water levels and, on at least two occasions, a complete depletion of water supply. Needless to say our customers are furious as we continue to work with APS in trying to resolve this problem.

On August 4, 2005 you sent me an electronic message indicating that APS had found a faulty substation voltage regulator that was responsible for the unbalanced power serving the site. Earlier today you contacted me again indicating that a meeting with your engineers resulted in a plan to try several different things to "level out" the voltage. Further, you indicated the new voltage regulators have just arrived and must be "set up" by your transformer specialists. Thereafter, the faulty voltage regulator can be replaced but we have not yet received a date of field installation of replacement equipment.

Despite your efforts and the assurances of your colleagues the problem at Circle City persists. Late last week we had another occasion of unbalanced power to the site that caused our equipment to turn off. Luckily, our operations staff was proactive enough to be constantly checking the site status and discovered this condition before it resulted in service interruptions to

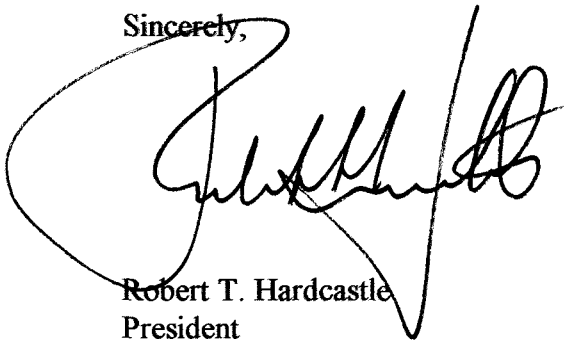
Judy Cornman
APS
August 8, 2005

our customers. Throughout the weekend we paid FNM and our operations people premium expense to monitor this situation closely.

I must emphasize the importance of this issue and the need for all our collective best efforts to resolve the issue. Please advise in writing or via electronic mail when the faulty voltage regulator is scheduled to be replaced, and provide your assessment of whether this solution will be a permanent corrective action at this site.

Thank you for your assistance.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Robert T. Hardcastle', is written over the word 'Sincerely,' and extends down towards the printed name.

Robert T. Hardcastle
President

cc:

RTH correspondence file
TW, FNM
MJ
JS, Esq.
ACC Docket No. W-03510A-05-0146